



C A L I F O R N I A   L O T T E R Y

# *Winner's Handbook*





*A group of 56 employees of Logicon Inc. split \$18.6 million, one-third of a \$56 million SuperLotto jackpot making them the largest group to ever win a California Lottery prize.*

# *Congratulations!*

YOU'VE WON THE LOTTERY

*So what happens next?*

*Winning a large lottery prize can be a wonderful experience as you suddenly find yourself faced with new opportunities and the financial resources to do the things that you've always wanted to do.*

*Acquiring a large sum of money gives a whole new meaning to how you manage your budget as long-term investment strategies become a way of life for you. Planning for the future by making informed responsible decisions will help you to enjoy your prize winnings to the maximum.*

*Managing large sums of money is a new experience for most winners. Consider your good luck from a long-term perspective. Talk to several professional advisors and carefully consider the financial options available to you before making any decisions.*

*This Winner's Handbook answers 20 basic questions Lottery winners ask. Please take the time to read this handbook thoroughly. If you*



*Sharon and Ronald Ittner claimed \$13.4 million and became the largest winners from San Joaquin county.*

*have further questions, you may contact the appropriate California Lottery office listed on page 12.*

*Most importantly, take all the time you need to plan and enjoy your winnings!*

# *General Questions*

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## **WHEN DO I RECEIVE MY CHECKS?**

Your first payment will be mailed to you within six weeks to the address that you specify on the Lottery Claim Form. If you chose your payments to be paid in annual installments, future payments will be sent around the anniversary of the winning draw and can be mailed directly to your bank account. If you won a million-dollar prize on "The Big Spin®" show you will receive equal annual installments over 20 years sent to the winner around the anniversary of the winning draw. Weekly Grand winners will receive weekly installments of \$1,000 for 20 years. For additional information contact the Lottery's Investments Office.

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## **HOW DOES THE LOTTERY'S PAYMENT SYSTEM WORK?**

The California Lottery pays out winning SuperLotto jackpot prizes either in 26 annual payments or as a lump sum equal to the cash value of the jackpot prize. If you marked the cash value box on the playslip, you will receive the present cash value of the announced jackpot in one lump sum. This amount will be less than the announced jackpot.

For example, if the announced jackpot is \$4 million, the winner would receive about \$1.98 million less taxes in one lump sum. This example is based on the market costs, as of January 22, 1998, of 26 annual payments funded by U.S. Treasury Zero Coupon bonds.

Based on a \$4 million jackpot, if you chose the annual payment option, you would receive a first payment of \$100,000 or 2.5% of jackpot amount less taxes. But, over the course of the next 25 years, these payments would gradually increase each year until the final payment of \$204,000 is reached, providing a hedge for inflation over time.

If you are a million-dollar prize winner from "The Big Spin®" show you will receive your prize in 20 equal payments. If you are a Weekly Grand prize winner, you will receive \$1,000 per week for a period of 20 years.

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### WHO RECEIVES THE INTEREST EARNED ON THIS PRIZE MONEY?

If you are a winner who receives payments in installments over time, you receive the interest earned on the bonds purchased by the Lottery for the payment of the prize. The Lottery buys a package of U.S. Treasury zero-coupon bonds (government securities) to secure the future payment of your prize. Together the principal and the interest earned by these bonds over the specified time make up the full amount of the prize. In effect, each year a portion of the securities matures and makes up that year's payment.

For example, on a \$1 million Big Spin prize, there is approximately \$500,000 cash (approximately one-half of the entire prize amount) available for the purchase of the bonds worth \$950,000 at maturity. The first payment of \$50,000 to the winner is added to \$950,000 to equal the full value of the prize. The California Lottery purchases bonds with the available cash. A portion of the principal plus the interest accrued over the next 19 years, make up the annual payments to the winner. After the 20th payment, the full prize amount of \$1 million has been paid and no funds remain in the account.

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### WILL THE LOTTERY PAY INDIVIDUAL PRIZES TO GROUP WINNERS?

California Lottery regulations allow for the individual payment to members of a player group who win a prize paid in annual installments or choose SuperLotto cash option as long as the group consist of 100 winners or less. If you are a lottery group member, you may claim your winnings on a Lottery Multiple Ownership Claim Form available at any California Lottery District Office. All district offices are listed on page 12. The decision to claim your winnings as a group **must** be made at the time you claim your prize.

*Jean Reynosa won \$2 million on "The Big Spin®" on February 28, 1998.*



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### WHAT WILL I PAY IN TAXES?

Lottery prizes are exempt from California state and local personal income taxes. However, the Internal Revenue Service (IRS) requires the California Lottery to withhold taxes of 28% from prizes over \$5,000 for U.S. citizens and resident aliens who provide social security numbers on the Lottery Claim Form. The IRS also requires the Lottery to withhold 31% from all prizes of \$600 or more from U.S. citizens and resident aliens who do not provide a social security number. Claimants who do not mark the citizenship status on the Lottery Claim Form will have 30% withheld from prizes of \$600 or more. If you are paid in annual installments these taxes are withheld from each annual payment.

For example, if a California resident who provides a social security number and who is a U.S. citizen wins a \$1 million Big Spin prize paid in installments, each \$50,000 annual gross payment would be subject to 28% Federal withholding or \$14,000, leaving an after-tax net payment to the winner of \$36,000 a year. Withholding amounts are not generally designed to meet your total tax liability. There may be an additional tax liability depending on a winner's total financial situation. Professional tax advisors can help you determine how to anticipate and handle your total tax obligation.

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### HOW DOES A PLAYER GROUP DIVIDE THE TAX LIABILITY?

SuperLotto jackpot winners, regardless of payment choice, may use the Multiple Ownership Claim Form permitting each group member to receive individual payments.

Groups of single payment prizes which do not qualify for individual payments by the Lottery should elect a group representative to file their Lottery Claim Form and receive and distribute the prize to the other group members. In order to divide the tax liability, the Internal Revenue Service mandates that IRS Form 5754 must be filed with the California Lottery by December 31 for the tax year in which the prize was won. Using the information provided on the IRS Form 5754, the California Lottery will issue an IRS W2 G Form to each individual or group member receiving individual payments by January 31 of the following year.



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**WHAT DO I NEED FROM THE LOTTERY IN ORDER TO FILE MY TAX RETURN?**

As a California Lottery winner, you will receive an IRS W2 G Form by January 31 of each year for the previous tax year. This form reports the amount of your Lottery winnings and must be filed with your federal income tax return. You should also keep a copy for your records.

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**IS IT POSSIBLE TO RECEIVE MORE THAN ONE ANNUAL PAYMENT IN THE SAME TAX YEAR?**

If you claim a large prize paid in installments in late December, you may receive the first and second payments in the same tax year because your first payment may not be issued until January. Although this will only occur during the first year, you will need to plan for the tax liability of receiving two lottery prize payments in one year.



*The Xavier family split a \$49 million jackpot on July 6, 1996.*

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**CAN A LIEN BE FILED AGAINST MY WINNINGS?**

Judgment liens, tax levies, or offsets may be filed against your prize winnings by creditors or government agencies for payment of your debts. The designated amount will be deducted from your net annual payment and the remainder, if any, will be mailed to you. The lien, levy, or offset could continue from year to year until the debt is paid in full.

# Estate Planning & Forms

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**WHAT HAPPENS IF I DIE BEFORE I RECEIVE ALL THE PAYMENTS?**

In the event of your death, your remaining annual payments will be paid to your heirs.

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**HOW CAN I DESIGNATE A BENEFICIARY FOR MY REMAINING PRIZE PAYMENT?**

You may designate one or more beneficiaries by filing a Lottery Beneficiary Designation form.

Upon your death, remaining annual prize payments will be payable to whomever is named on the form. This form is available from the Lottery's Investments Office. Beneficiary changes can be made at any time by filing a new form. If there is no Lottery Beneficiary Designation Form on file at the time of death, the Lottery will make payments according to court order.

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**WILL THE LOTTERY MAKE PAYMENTS TO A TRUST ESTABLISHED BY A WINNER?**

The Lottery will make the annual payments to your revocable living trust, provided you have filed the appropriate form with the Lottery's Investments Office. The Declaration and Assignment of Lottery Prize to Revocable Living Trust form can be requested through the Lottery's Investments Office. In order for the Lottery to make payments to a trust, the prize winner must be the person funding the trust as well as a beneficiary of the trust which is governed by the laws of the State of California. Upon your death, the remaining annual payments will be made to the surviving or successor trustee(s) or beneficiaries. The Lottery will make any payments to irrevocable trusts or subtrust(s) which were established in a winner's living trust as long as the appropriate form is on file prior to the winner's death. If this form is not on file, the California Lottery will make payments according to a court order.

# Assignment of Prize Payments



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## CAN I ASSIGN MY PRIZE OR SELL IT TO ANOTHER PARTY?

Winners of prizes paid in annual installments may assign future prize payments to a third party or use their winnings as collateral for a loan. Companies may contact you offering to purchase some or all of your remaining annual prize payments. Past winners have informed us that some companies have misrepresented themselves as the California Lottery, claimed to have the Lottery's endorsement, or implied that they received confidential personal information about prize winners from the California Lottery. Be assured that the California Lottery does not endorse any of these companies or disclose personal information about prize winners. The Lottery encourages you to seek independent financial and legal advice before making any assignment decision. If you decide to assign your right to receive future prize payments or use your winnings as collateral for a loan, please contact the Lottery's Investments Office.

*Carlito Aguba, an electrical engineer, won a \$27 million or half of a \$54 million jackpot on July 31, 1996.*

# Public Disclosure

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## WHAT PERSONAL INFORMATION IS SUBJECT TO PUBLIC DISCLOSURE?

As a state agency, the California Lottery is subject to public disclosure laws that allow access to certain governmental records. Your name, the name and location of the retailer who sold the winning ticket, the date you won, and amount of your winnings, including your gross and net annual payments, are matters of public record and subject to disclosure. The Lottery may release additional information if required by legal process or upon your request.



*Augie and Marguerite Chiarenza won \$51.6 million, the largest individual prize in California Lottery history, on June 18, 1994.*

# Managing Your Winnings

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## WHAT SHOULD I DO WITH THE PRIZE MONEY WHILE I'M SEEKING PROFESSIONAL FINANCIAL ADVICE?

Your first instinct may be to deposit the first payment of winnings safely in a financial institution while you plan your financial future. Your current bank or credit union is a good place to start, but be sure to verify that the amount of your deposit is federally insured. If the amount of your deposit exceeds the level of insurance, consider dividing your prize funds between two or more financial institutions.

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## HOW DO I FIND REPUTABLE ADVISORS?

Banks and other financial institutions offer a variety of options. To receive the maximum benefit from your lottery prize, you should check the credentials of prospective advisors and interview them to determine if their financial approach fits with your needs and lifestyle. There are professional organizations listed in every telephone book that can provide you with the names of advisors, including accountants, attorneys and investment counselors.

Remember that you can change financial advisors and hire more than one at a time. Although the Lottery does not endorse any advisor or advisory group, lists of advisors can be obtained from the following sources:

**The California State Bar or your local County Bar Association**  
**Martindale-Hubbell Directory** (for attorney referrals see your phone directory or local library)

**The California Society of Certified Public Accountants**  
**(916) 441-5351, [www.cpabsn.com](http://www.cpabsn.com)**

**Licensed Independent Network of CPA Financial Planners**  
**(800) 737-2727**

**Institute of Certified Financial Planners (916) 443-4237**

**National Association of Personal Financial Advisors**  
**(800) 366-2732 or (888) 333-6659**

**International Association for Financial Planning**  
**(800) 945-4237**

While some past winners prefer to research their own financial options, others report that building a team of advisors who work together and are experienced in working with large sums of money has provided them with sound legal and financial advice.

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## HOW SHOULD I HANDLE REQUESTS FOR DONATIONS?

Many winners have shared their winnings with their favorite charities. You may receive requests for donations from many sources, including friends and family, or individuals from organizations or charities that are unfamiliar to you. Take time to investigate the legitimacy of any organization or charity before you make a donation. One way to do this is to request a financial statement.



## YOU SHOULD ALSO CONSIDER:

- Changing your phone number or using a phone answering machine or answering service to screen your calls. The same is true for your mail. A post office box will also help you screen unsolicited requests. If requests do come by phone, ask that the request be put into writing and that the requester send background literature to your post office box. However, please notify the Lottery's Investments Office in writing of any changes to your phone number or address to ensure the prompt receipt of your annual payment or year-end tax statement.
- Using an intermediary, such as an attorney or an accountant, to act as your spokesperson when responding to requests and to intercept information from various organizations is recommended. A knowledgeable advisor can also help you with the income tax implications and allowable limits of charitable donations and contributions.

*The Hinnants of Santa Maria won a third of a \$40.02 million jackpot, winning \$13.4 million.*



# Winners Checklist

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## WHAT DO I NEED TO DO IF I WANT FUTURE PAYMENTS MAILED DIRECTLY TO MY BANK ACCOUNT?

Your first Lottery prize payment is mailed directly from the State Controller's Office to the address you provided on your Lottery Claim Form. Future payments can be mailed directly to your financial institution for deposit into your account. For more information, contact the Lottery's Investments Office.

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## WHAT IF I CHANGE MY ADDRESS?

Be sure to notify the Lottery's Investments Office in writing with any changes in your name, address or telephone number to ensure timely delivery of your annual payment and IRS W2 G Form. A change of address form will be provided for your convenience.

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## WHO DO I CALL IF I HAVE ANY QUESTIONS?

The Lottery does not offer any type of financial or legal advice but will provide you with information or forms that you may need to facilitate your planning.

### Investments Office

*(for installment winners)* ..... (916) 324-1439

**Legal Office.** ..... (916) 324-2096

**Public Affairs Office** ..... (916) 324-9639

# Lottery District Offices

## FRESNO

4317 N. Golden State Blvd. #101  
Fresno, CA 93722  
(209) 276-6161

## RIVERSIDE

1485 Spruce St.  
Riverside, CA 92507  
(909) 782-4120

## SACRAMENTO

598 North 10th Street  
Sacramento, Ca 95814  
(916) 322-5136

## SAN DIEGO

5656 Ruffin Road  
San Diego, CA 92123  
(619) 492-1700

## SAN FRANCISCO

820 Dubuque Avenue  
So. San Francisco, CA 94080  
(650) 875-2200

## SAN JOSE

1330 Ridder Park Drive  
San Jose, CA 95131  
(408) 452-7200

## SANTA ANA

3400 West Warner Ave., Suite F  
Santa Ana, CA 92704-5300  
(714) 708-0540

## SANTA FE SPRINGS

9814 Norwalk Blvd., Suite 1  
Santa Fe Springs, CA 90670  
(562) 906-6356

## VAN NUYS

16525 Sherman Way, #C-10  
Van Nuys, CA 91406  
(818) 901-5006